

## Message Text

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ACTION COME-00

INFO OCT-01 EA-12 IO-14 ISO-00 EB-08 /035 W  
-----028871 150611Z /11/10

P 140923Z APR 78  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC PRIORITY 7072  
INFO USMISSION GENEVA

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C O R R E C T E D C O P Y (REFERENCE LINE CORRECTED)

PASS COMMERCE FOR ASSISTANT SECRETARY WEIL  
USMTN

E.O. 11652: NA  
TAGS: BEXP, JA, US  
SUBJECT: TRADE FACILITATION COMMITTEE: REQUEST FOR  
EMBASSY INPUT FOR THIRD TFC PROGRESS REPORT

REF: (A) STATE 91791 (NOTAL) (B) TOKYO 6432  
(C) TOKYO 6325 (D) TOKYO 5901

1. REF B RESPONDED TO PARA (A) OF REF A REGARDING  
STATUS OF ACTUAL AND POTENTIAL TFC CASES. FOLLOWING  
IS IN RESPONSE TO PARA (B) OF REF A REGARDING  
STATUS OF INDUSTRY SECTOR RESEARCH BY JOINT U.S.-  
JAPAN TRADE STUDY GROUP.  
2. TRADE STUDY GROUP (TSG) HAS FOUR-STAGE PROGRAM  
FOR STAFF WORK ON INDUSTRY SECTOR RESEARCH. THE  
FIRST STAGE OBJECTIVE WAS TO IDENTIFY U.S. EXPORT  
INDUSTRIES WITH THE HIGHEST POTENTIAL FOR INCREASED  
SALES IN JAPAN. A SIMPLE SENSITIVITY ANALYSIS  
COMPARING U.S. EXPORTS TO EUROPE AND JAPAN WAS  
PREPARED IN NOVEMBER AND DECEMBER 1977.  
A PRESENTATION WHICH MEASURED THE DIFFERENCE  
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BETWEEN ACTUAL EXPORTS TO JAPAN AND THE LEVELS  
WHICH EACH OF 60 SECTORS WOULD HAVE ATTAINED HAD  
THE RATIO OF EXPORTS TO JAPAN PER MILLION DOLLARS  
OF GROSS NATIONAL PRODUCT BEEN EQUAL TO THE RATIO  
OF U.S. EXPORTS TO EUROPE PER MILLION DOLLARS GNP  
WAS MADE DECEMBER 9 1977.  
3. THE SECOND STAGE IS TO CONSIST OF SHORT CASE

STUDIES ON SPECIFIC INDUSTRIES IN ORDER TO IDENTIFY OBSTACLES WHICH IMPEDE U.S. COMPANIES FROM INCREASING SALES IN THESE "IMPORT EXPANSION OPPORTUNITY" SECTORS. NONE OF THE CASES HAS YET BEEN COMPLETED; THUS THE TSG HAS NOT MOVED TO STAGE THREE ("IMPLEMENTATION") OR STAGE FOUR ("FOLLOW-UP").

4. FROM THE TOP 30 MANUFACTURING SECTORS WITH THE APPARENT LARGEST EXPANSION POTENTIAL FOUR SUBJECTS WERE CHOSEN FOR CASE STUDY. ONE WAS TRACTORS AND PARTS, WHICH HAS EVOLVED INTO CONSTRUCTION MACHINERY. CHEMICALS, HOME ELECTRICAL APPLIANCES, AND POWER MACHINERY AND SWITCHGEAR WERE THE REMAINING THREE STUDIES SELECTED. PROGRESS REPORTS ON ALL OF THESE EXCEPT POWER MACHINERY AND SWITCHGEAR HAVE BEEN PRESENTED AT TRADE STUDY GROUP MEETINGS. THE TRADE STUDY SUBGROUP FOR THE LATTER HAS YET TO HOLD ITS INITIAL WORKING MEETING, PERHAPS BECAUSE SOME OF THE SUBCOMMITTEE MEMBERS BELIEVE THAT ONLY POWER TRANSMISSION AND DISTRIBUTION EQUIPMENT (SWITCHGEAR) SHOULD BE ADDRESSED IN THIS STUDY.

5. EACH OF THE FOUR SUBCOMMITTEES HAS A PROJECT LEADER FROM THE AMERICAN CHAMBER OF COMMERCE IN JAPAN (ACCJ), AN EMBASSY E/C OFFICER, A JETRO REPRESENTATIVE, AND OTHER ACCJ OR U.S. BUSINESS

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PARTICIPANTS AS APPROPRIATE. THE STUDY PROCESS IS CONDUCTED ON AN AD HOC AND PART-TIME BASIS, WHICH ACCOUNTS FOR THE SLOW PACE.

6. AT THE DECEMBER 9 MEETING, THERE WAS SOME DISCUSSION REGARDING THE INCLUSION OF HOUSEHOLD FURNISHINGS AND LEISURE GOODS, BUT THIS PROJECT WAS DROPPED AFTER JETRO OBTAINED FUNDS TO CONDUCT SEVERAL SMALL MARKET SURVEYS IN THE CONSUMER GOODS FIELD.

7. WHILE THE SUBJECT WAS NOT TAKEN UP FORMALLY BY THE TSG, SOME MEMBERS WERE INTERESTED IN CONDUCTING A STUDY ON AUTOMOBILES. AT THE FEBRUARY MEETING OF THE TSG, THE MITI REPRESENTATIVE PRESENTED A PAPER SETTING FORTH THAT MINISTRY'S VIEW AS TO THE BASIS FOR HIGH IMPORTED AUTOMOBILE PRICES AND WHAT AMERICAN MOTOR VEHICLE PRODUCERS SHOULD DO IN ORDER TO INCREASE SALES IN JAPAN. ACCJ TSG MEMBERS AND U.S. MOTOR VEHICLE MANUFACTURER REPRESENTATIVES HERE RESPONDED BY ORGANIZING A UNILATERAL SUBGROUP TO PREPARE AN AUTOMOBILE CASE. NO REPRESENTATION

FROM THE JAPANESE SIDE WAS OBTAINED AND THE TSG DID NOT FORMALLY CONSIDER APPOINTMENT OF AN AUTOMOBILE SUBGROUP. THIS GROUP, NEVERTHELESS, MADE AN INITIAL PROGRESS REPORT AT THE APRIL 5 TSG MEETING, AND THIS REPORT HAS BEEN SCHEDULED FOR COMPLETION AT THE NEXT MEETING (APRIL 20). AT THE MOMENT, IT IS UNCERTAIN WHETHER JAPANESE PARTICIPATION CAN BE OBTAINED. SHOULD THE ISSUE REMAIN ONE OF CONFRONTATION, RATHER THAN COOPERATION AND OBJECTIVE STUDY, WHICH HAS SO FAR MARKED THE EFFORTS OF THE TSG, THE EMBASSY

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WILL WORK TOWARD DISCONTINUANCE OF THIS STUDY AS A FORMAL TSG PROJECT.

8. A REPRESENTATIVE OF THE SEMICONDUCTOR INDUSTRY ASSOCIATION OF AMERICA (SIA) MET WITH EMBOFFS AND ACCJ MEMBERS MARCH 31 TO DISCUSS INITIATION OF TSG STUDY ON SEMICONDUCTORS, WHICH WOULD INCLUDE RESOURCE ASSISTANCE FROM SIA. REF D PROVIDES STATUS REPORT. SIA AND ACCJ REPRESENTATIVES CONCERNED ARE IN DIRECT COMMUNICATION IN CONNECTION WITH THIS STUDY. FURTHER, WE UNDERSTAND THAT JAMES SHINN (EA/EP, STATE) WILL BE VISITING SIA MEMBERS AGAIN WITHIN NEXT FEW DAYS.

9. ACCJ MEMBERS AND AN OFFICER FROM THE AGRICULTURE ATTACHE'S OFFICE HAD DISCUSSED THE POSSIBILITY OF SUGGESTING A CASE STUDY ON FOOD PRODUCTS, BUT THIS IS STILL AT THE INFORMAL STAGE, AND NO ACTION EXPECTED UNTIL THE OFFICER RETURNS FROM LEAVE IN THE U.S.

10. SINCE THE THREE CASE STUDIES ARE NOT COMPLETE,

ONLY TENTATIVE FINDINGS CAN BE SUGGESTED. IN  
ELECTRICAL HOME APPLIANCES, DISTRIBUTION SYSTEM  
FEATURES AND THE NEED FOR COMPANY MARKETING  
STRATEGIES TO OVERCOME THEM, AND THE TIME-CONSUMING  
PROCEDURES OF THE ELECTRICAL APPLIANCE INSPECTION  
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SYSTEM HAVE BEEN IDENTIFIED AS OBSTACLES. THE  
SUBGROUP HAS SUGGESTED THAT JAPAN, LIKE ITALY AND  
GERMANY, ACCEPT UL CERTIFICATION. CONSTRUCTION  
EQUIPMENT RESEARCHERS FOUND THAT THE DEPRESSED  
STATE OF THE ECONOMY AND LACK OF LARGE-SCALE  
CIVIL ENGINEERING PROJECTS ACCOUNTED FOR THE  
DECLINE IN SALES. THE CHEMICALS SUBGROUP  
CITED TARIFFS ON A FEW PLASTIC FILMS, LACK OF  
TANK STORAGE CAPACITY AND, MOST SIGNIFICANTLY,  
RELUCTANCE OF CHEMICALS PURCHASERS TO BUY FROM  
NEW SUPPLIERS (THE TRADITIONAL JAPANESE  
BUYER-SUPPLIER RELATIONSHIP) AS REASONS WHY  
CHEMICALS EXPORTS HAD NOT FULFILLED THEIR  
POTENTIAL.

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